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My name is Aaron L. Peterson. I am the President/CEO of Peterson Farms, Inc. and Oceana County Freezer Storage, Inc., which are both located in Oceana County. I am testifying today in opposition to the proposed tax on both warehousing and storage services and packaging and labeling services. These new taxes will be a killer to our companies and Michigan agriculture as a whole. By selecting out these areas, the State of Michigan will be at a competitive disadvantage with other states for both fresh and frozen agricultural products.

At Peterson Farms, we would have to pay a service tax to store raw apples at the multiple storages that we rent in Michigan. Then, we will process the apples into a frozen product and have to pay another service tax on storage of the frozen apples (or any other frozen fruit) at Oceana County Freezer Storage, Inc. or any other frozen warehouse in Michigan. As you can imagine, this change, costing our companies hundreds of thousands of dollars yearly, will make us uncompetitive against fruit processors from other states without these taxes. Fruit processing, like most industries, is highly competitive. These service taxes may seem small to a lot of people, but they are large enough to force many fruit sales out of Michigan and all of us, in agriculture, will suffer.

The new tax on packaging and labeling services will result in the same problem. At Peterson Farms, we polybag frozen fruit, six days a week, all year long, for national companies. Now our customers would have to pay 6% additional to have this service performed in Michigan. Our customers will then have to pay a tax to store their frozen fruit here as well. Our major competitor for this business is located in Indiana and if these taxes become a reality, I expect to lose this business. The implication to our company is millions in lost revenue, along with a reduction in our workforce. Again, by singling out our industry, we cannot be competitive with other states.

I understand that the economics of Michigan are changing and there are many tough decisions to be made, but by singling out certain industries for the service tax, the state of Michigan has put a bulls eye on the back of Michigan agricultural. It is tough enough to compete in the worldwide agricultural markets; Michigan's farmers and processors do not need additional burdens placed on them in our fight for survival. I truly believe that these new taxes will be another nail in the coffin to the family farms in Michigan.

I respectfully request that you consider supporting legislative efforts to repeal the expansion of the Use Tax to both the warehousing and storage and the packaging and labeling of agricultural commodities.

Aaron L. Peterson

11/5/2007